

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2486

To amend the Internal Revenue Code of 1986 to extend the deduction for health insurance costs of self-employed individuals, to increase the taxes on tobacco products, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 30 (legislative day, SEPTEMBER 12), 1994

Mr. KOHL (for himself and Mr. CHAFEE) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to extend the deduction for health insurance costs of self-employed individuals, to increase the taxes on tobacco products, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. 2-YEAR EXTENSION OF DEDUCTION OF HEALTH**

4 **INSURANCE COSTS OF SELF-EMPLOYED INDIV-**

5 **VIDUALS.**

6 (a) EXTENSION.—Section 162(l)(6) of the Internal  
7 Revenue Code of 1986 is amended by striking “1993” and  
8 inserting “1995”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1993.

4 **SEC. 2. INCREASE IN TAXES ON TOBACCO PRODUCTS.**

5 (a) IN GENERAL.—

6 (1) CIGARS.—Subsection (a) of section 5701 of  
7 the Internal Revenue Code of 1986 (relating to rate  
8 of tax on cigars) is amended—

9 (A) by striking “\$1.125 cents per thou-  
10 sand (93.75 cents per thousand on cigars re-  
11 moved during 1991 and 1992)” in paragraph  
12 (1) and inserting “\$1.359 per thousand”; and

13 (B) by striking paragraph (2) and insert-  
14 ing the following new paragraph:

15 “(2) LARGE CIGARS.—On cigars weighing more  
16 than 3 pounds per thousand, a tax equal to 15.41  
17 percent of the price for which sold but not more  
18 than \$36.25 per thousand.”

19 (2) CIGARETTES.—Subsection (b) of section  
20 5701 of such Code (relating to rate of tax on ciga-  
21 rettes) is amended—

22 (A) by striking “\$12 per thousand (\$10  
23 per thousand on cigarettes removed during  
24 1991 and 1992)” in paragraph (1) and insert-  
25 ing “\$14.50 per thousand”; and

1 (B) by striking “\$25.20 per thousand (\$21  
2 per thousand on cigarettes removed during  
3 1991 and 1992)” in paragraph (2) and insert-  
4 ing “\$30.45 per thousand”.

5 (3) CIGARETTE PAPERS.—Subsection (c) of sec-  
6 tion 5701 of such Code (relating to rate of tax on  
7 cigarette papers) is amended by striking “0.75 cent  
8 (0.625 cent on cigarette papers removed during  
9 1991 or 1992)” and inserting “0.91 cent”.

10 (4) CIGARETTE TUBES.—Subsection (d) of sec-  
11 tion 5701 of such Code (relating to rate of tax on  
12 cigarette tubes) is amended by striking “1.5 cents  
13 (1.25 cents on cigarette tubes removed during 1991  
14 or 1992)” and inserting “1.81 cents”.

15 (5) SNUFF.—Paragraph (1) of section 5701(e)  
16 of such Code (relating to rate of tax on smokeless  
17 tobacco) is amended by striking “36 cents (30 cents  
18 on snuff removed during 1991 or 1992)” and insert-  
19 ing “43.50 cents”.

20 (6) CHEWING TOBACCO.—Paragraph (2) of sec-  
21 tion 5701(e) of such Code is amended by striking  
22 “12 cents (10 cents on chewing tobacco removed  
23 during 1991 or 1992)” and inserting “14.5 cents”.

24 (7) PIPE TOBACCO.—Subsection (f) of section  
25 5701 of such Code (relating to rate of tax on pipe

1 tobacco) is amended by striking “67.5 cents (56.25  
2 cents on chewing tobacco removed during 1991 or  
3 1992)” and inserting “81.6 cents”.

4 (b) FLOOR STOCKS.—

5 (1) IMPOSITION OF TAX.—On cigars, cigarettes,  
6 cigarette paper, cigarette tubes, snuff, chewing to-  
7 bacco, and pipe tobacco manufactured in or im-  
8 ported into the United States which is removed be-  
9 fore January 1, 1995, and held on such date for sale  
10 by any person, there shall be imposed the following  
11 taxes:

12 (A) SMALL CIGARS.—On cigars, weighing  
13 not more than 3 pounds per thousand, 23.4  
14 cents per thousand.

15 (B) LARGE CIGARS.—On cigars, weighing  
16 more than 3 pounds per thousand, a tax equal  
17 to 2.66 percent of the price for which sold, but  
18 not more than \$6.25 per thousand.

19 (C) SMALL CIGARETTES.—On cigarettes,  
20 weighing not more than 3 pounds per thousand,  
21 \$2.50 per thousand.

22 (D) LARGE CIGARETTES.—On cigarettes,  
23 weighing more than 3 pounds per thousand,  
24 \$5.25 per thousand; except that, if more than  
25 6½ inches in length, they shall be taxable at

1 the rate prescribed for cigarettes weighing not  
2 more than 3 pounds per thousand, counting  
3 each  $2\frac{3}{4}$  inches, or fraction thereof, of the  
4 length of each as one cigarette.

5 (E) CIGARETTE PAPERS.—On cigarette pa-  
6 pers, 0.16 cent for each 50 papers or fractional  
7 part thereof; except that, if cigarette papers  
8 measure more than  $6\frac{1}{2}$  inches in length, they  
9 shall be taxable at the rate prescribed, counting  
10 each  $2\frac{3}{4}$  inches, or fraction thereof, of the  
11 length of each as one cigarette paper.

12 (F) CIGARETTE TUBES.—On cigarette  
13 tubes, 0.31 cent for each 50 tubes or fractional  
14 part thereof; except that, if cigarette tubes  
15 measure more than  $6\frac{1}{2}$  inches in length, they  
16 shall be taxable at the rate prescribed, counting  
17 each  $2\frac{3}{4}$  inches, or fraction thereof, of the  
18 length of each as one cigarette tube.

19 (G) SNUFF.—On snuff, 7.5 cents per  
20 pound and a proportionate tax at the like rate  
21 on all fractional parts of a pound.

22 (H) CHEWING TOBACCO.—On chewing to-  
23 bacco, 2.5 cents per pound and a proportionate  
24 tax at the like rate on all fractional parts of a  
25 pound.

1 (I) PIPE TOBACCO.—On pipe tobacco, 14.1  
2 cents per pound and a proportionate tax at the  
3 like rate on all fractional parts of a pound.

4 (2) LIABILITY FOR TAX AND METHOD OF  
5 PAYMENT.—

6 (A) LIABILITY FOR TAX.—A person hold-  
7 ing cigars, cigarettes, cigarette paper, cigarette  
8 tubes, snuff, chewing tobacco, and pipe tobacco  
9 on January 1, 1995, to which any tax imposed  
10 by paragraph (1) applies shall be liable for such  
11 tax.

12 (B) METHOD OF PAYMENT.—The tax im-  
13 posed by paragraph (1) shall be treated as a  
14 tax imposed under section 5701 of the Internal  
15 Revenue Code of 1986 and shall be due and  
16 payable on February 15, 1995, in the same  
17 manner as the tax imposed under such section  
18 is payable with respect to cigars, cigarettes, cig-  
19 arette paper, cigarette tubes, snuff, chewing to-  
20 bacco, and pipe tobacco removed on January 1,  
21 1995.

22 (3) CIGARS, CIGARETTES, CIGARETTE PAPER,  
23 CIGARETTE TUBES, SNUFF, CHEWING TOBACCO, AND  
24 PIPE TOBACCO.—For purposes of this subsection,  
25 the terms “cigar”, “cigarette”, “cigarette paper”,

1 “cigarette tubes”, “snuff”, “chewing tobacco”, and  
 2 “pipe tobacco” shall have the meaning given to such  
 3 terms by subsections (a), (b), (e), and (g), para-  
 4 graphs (2) and (3) of subsection (n), and subsection  
 5 (o) of section 5702 of the Internal Revenue Code of  
 6 1986, respectively.

7 (4) EXCEPTION FOR RETAIL STOCKS.—The  
 8 taxes imposed by paragraph (1) shall not apply to  
 9 cigars, cigarettes, cigarette paper, cigarette tubes,  
 10 snuff, chewing tobacco, and pipe tobacco in retail  
 11 stocks held on January 1, 1995, at the place where  
 12 intended to be sold at retail.

13 (5) FOREIGN TRADE ZONES.—Notwithstanding  
 14 the Act of June 18, 1934 (19 U.S.C. 81a et seq.)  
 15 or any other provision of law—

16 (A) cigars, cigarettes, cigarette paper, ciga-  
 17 rette tubes, snuff, chewing tobacco, and pipe to-  
 18 bacco—

19 (i) on which taxes imposed by Federal  
 20 law are determined, or customs duties are  
 21 liquidated, by a customs officer pursuant  
 22 to a request made under the first proviso  
 23 of section 3(a) of the Act of June 18, 1934  
 24 (19 U.S.C. 81c(a)) before January 1,  
 25 1995, and

1 (ii) which are entered into the cus-  
2 toms territory of the United States on or  
3 after January 1, 1995, from a foreign  
4 trade zone, and

5 (B) cigars, cigarettes, cigarette paper, cig-  
6 arette tubes, snuff, chewing tobacco, and pipe  
7 tobacco which—

8 (i) are placed under the supervision of  
9 a customs officer pursuant to the provi-  
10 sions of the second proviso of section 3(a)  
11 of the Act of June 18, 1934 (19 U.S.C.  
12 81c(a)) before January 1, 1995, and

13 (ii) are entered into the customs terri-  
14 tory of the United States on or after Janu-  
15 ary 1, 1995, from a foreign trade zone,

16 shall be subject to the tax imposed by paragraph (1)  
17 and such cigars, cigarettes, cigarette paper, cigarette  
18 tubes, snuff, chewing tobacco, and pipe tobacco  
19 shall, for purposes of paragraph (1), be treated as  
20 being held on January 1, 1995, for sale.

21 (c) EFFECTIVE DATE.—The amendments made  
22 by this section shall apply with respect to cigars,  
23 cigarettes, cigarette paper, cigarette tubes, snuff,



- 1 chewing tobacco, and pipe tobacco removed after De-
- 2 cember 31, 1994.

